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Viewing cable 09PANAMA549, PANAMA: FIRST IMPRESSIONS OF A FRACTIONAL GOVERNMENT

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Reference ID	Created	Released	Classification	Origin
09PANAMA549	2009-07-09 21:35	2011-08-30 01:44	SECRET//NOFORN	Embassy Panama

Appears in these articles:

<http://www.mcclatchydc.com/2011/04/26/112845/cables-offer-dim-view-of-president.html>

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S E C R E T PANAMA 000549

NOFORN

SIPDIS

E.O. 12958: DECL: 07/08/2019

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SUBJECT: PANAMA: FIRST IMPRESSIONS OF A FRACTIOUS GOVERNMENT

Classified By: Ambassador Barbara J. Stephenson for reasons 1.4 (b) and (d)

Summary

¶1. (S//NF) After one week of the new Martinelli government, Post has some initial impressions. The government is a fractious combination of strong personalities with widely differing agendas. There are signs that some newly appointed officials have questionable backgrounds that indicate that corruption may be a serious problem in the new government, while others seem genuinely interested in good governance. It is not clear where President Martinelli falls on this scale, though there are some indications that it is not where we would like. There are also signs that a broad political reorganization may be underway in Panama. The Revolutionary Democratic Party (PRD) is immersed in a crisis, while one of its more visible members has compared Martinelli to Omar Torrijos. This has left the new government virtually unopposed for the moment. Martinelli has also started his administration with a number of very popular moves that have given him an excellent public image, and early credibility for keeping his campaign promises. Post believes that the strong personalist bent of Martinelli, the weakness of his government's internal coherence, and the early signs of corruption make the strengthening of Panama's democratic institutions an important priority. We are working with international organizations such as the World Bank to implement such a program.

Factions in the Alliance for Change

¶2. (S//NF) Martinelli's alliance is composed of four parties: his small Democratic Change Party (CD); the Panamanista Party (which is the second largest party in the country, and was the dominant opposition party up until Martinelli's ascent); the small Patriotic Union Party (UP); and the National Liberal Movement (MOLIRENA). Minister of the Presidency Jimmy Papadimitriu, Martinelli's campaign manager and the one most responsible for his victory, is the main representative of the small group of Martinelli loyalists who make up the CD group in the government. Papadimitriu has created a new organizational structure within the Ministry of the Presidency composed of "coordinators" for social, economic, political, security and youth policies. When asked what the significance of these bodies was, Papadimitriu told PolOff July 3, "soon anyone who wants to get something done will see who has the power, and where they have to come," referring to ministers within the established structure of the government. Supreme Court Magistrate Adan Arjona told PolOff July 7 that it was laughable to suggest that ministers would coordinate their offices through Papadimitriu. He said that while Papadimitriu played an important role keeping Martinelli focused, so was very important to the efficient functioning of the government, he did not have the political power to control the other powerful ministers within the government. He added that Papadimitriu was starting to create opposition within the coalition by trying to grab too much power. He noted a recent editorial in the Panama American newspaper questioning his support for Rogelio Alba's designation as governor of the Kuna Yala Comarca despite the numerous criminal investigations against Alba (Note: Alba was forced to step aside, after Papadimitriu publically defended him. End Note.), and the naming of his sister as Consul in Greece. Arjona quoted the article as saying, "two strikes, careful you don't strike out." Arjona said the paper was tied to the Panamanista Party, and the editorial might represent the beginning of a campaign against him. Post has also noticed

that several questionable designations in the government appear to be linked to Papadimitriu (see para 5).

13. (S//NF) The Panamanistas are represented by the powerful Minister of Economy and Finance Alberto Vallarino, and by Vice President and Foreign Minister Juan Carlos Varela. These two men ran against each other in the Panamanista Party presidential primary, which Varela won. They continue to be rivals for influence within the party, and both men are likely to compete for the Panamanista presidential nomination in 2013. While both men are interested in using the government to strengthen their faction of the Panamanista Party, they are both believed to be interested in good governance, and building up a positive public image and reputation that they can then use as a base for a future political campaign. Both are wealthy businessmen. However, Post believes that Vallarino in particular is very keen to weaken Varela's position, and that his statements against signing a TIEA with the U.S. on his recent trip to Washington should be interpreted as an attempt to undermine Varela, who had publicly promised to do so earlier. Both of these men will be key to the Embassy's future engagement with the GOP, aimed at strengthening Panama's institutions.

14. (S//NF) The fourth pole of power is Jose Raul Mulino of UP, who has been named as Minister of Government and Justice, which nominally controls all the security forces in Panama. In reality the service chiefs report directly to the President on most important matters, as was made clear by incoming Panamanian National Police (PNP) Director Gustavo Perez during the change of command ceremony on July 2 when he promised, in his public comments, to coordinate all his actions, "with the President . . . and the Minister of Government and Justice." Mulino is reportedly not one of Martinelli's favorites. Arjona described him as "arrogant, corrupt and stupid." Arjona said that Mulino conned a Canadian businessman out of \$600,000 six months ago by offering to sell him a piece of beach front property, but actually selling him the piece of land behind it. The case is now in the courts, and Arjona says Martinelli has the documentation and plans to use it to get rid of Mulino within the next six months. Mulino was given the job because Anibal Galindo, also from UP, declined it and Mulino, a former foreign minister, was the only other figure in UP with enough stature to take the job. So far Mulino has been most marked by his enthusiasm for arresting Honduran President Zelaya during the inauguration, after he received news that the Honduran de facto government had requested an international arrest warrant.

Corruption?

15. (S//NF) Post has information that several of the second tier figures in the new government have questionable backgrounds. DEA has information that the new Director of the Panamanian Tourism Authority, Salamon Shamah, may be linked to drug trafficking. Shamah, who developed much of the effective messaging Papadimitriu used during Martinelli's campaign, is close to Papadimitriu; Shamah also played a key role in organizing Martinelli's inauguration events. DEA also has negative information on Irving Centeno, who is the new Director of Security at Tocumen International Airport, and may be involved with the gangs that rob merchants carrying cash from the airport to the Colon Free Trade Zone. The new Anti-Corruption Czar, Martinelli's first cousin Fernando Nunez Fabregas, is talking about getting tough on corruption. However, Arjona described Nunez as an, "amoral blackmailer" with close ties to corrupt Supreme Court Magistrate Winston Spadafora (septel). Angelica Maytin of the Panamanian chapter of Transparency International told PolOff July 3 that Nunez's real intention was to target companies and individuals with corruption probes in order to blackmail them. All of the government officials who have drawn early attention as potentially problematic are members of CD, or personally close to Papadimitriu or Martinelli himself.

¶6. (S//NF) One of the first targets of the Martinelli government has been businessman Jean Figali. Figali runs a convention center on land conceded from the government of Panama on the Amador Causeway. He is a controversial figure in Panama due to accusations that he has illegally filled in part of the Bay of Panama for a marina, and for his very public disputes with the government. He generally suffers from a very poor reputation, and is a frequent target of the newspapers. Martinelli has threatened to seize Figali's concession because he has failed to pay taxes, and because of the illegal landfill. Arjona said there was a "very strong rumor" in the business community that Martinelli's real intention was to seize the concession from Figali, and then re-adjudicate it to companies associated with himself and Vallarino. This same accusation has been made publicly on local radio.

¶7. (S//NF) Arjona said that Martinelli has also been meeting with suspected money launderer and Colon Free Trade Zone businessman Abdel Waked, to discuss seizing the concession for the duty free stores in Tocumen Airport from Motta International, based in the Colon Free Trade Zone. Asked why a man as rich as Martinelli would engage in such behavior, Arjona said that Martinelli was not a very rational person, and had always expanded his empire through corruption, so his actions were not out of character.

But It's Playing Well

¶8. (S//NF) While the internal disputes and poor judgment have disturbed some insiders, publicly the administration is playing very well. On July 7, Martinelli, Vallarino, Mulino and Perez personally seized the Figali landfill, with Martinelli himself helping rip down a wall. The action played very well in the papers as a sign that the powerful were not going to be allowed to put their interests over those of the public good. The government is also on the popular side of several other initiatives, including lowering the age of criminal responsibility and trying youthful offenders as adults. At his first cabinet meeting, an open air meeting held in the middle of a slum, Martinelli gave Mulino 30 days to come up with a proposed reform of the law on adolescent offenders. Varela's brother Jose Luis, the newly elected president of the National Assembly, has also caught the public mood by cutting his salary, and proposing rules to fine deputies their pay if they don't show up for sessions. New Minister of Education Lucy Molinar, linked to Varela, is also getting high marks for denouncing corruption, and putting key jobs up for examination, rather than giving them to incompetent political cronies.

New Political Paradigm?

¶9. (S//NF) Martinelli's strong start is contrasted to the implosion of the Revolutionary Democratic Party (PRD) following Balbina Herrera's resounding loss to Martinelli. On June 28, the National Directorate of the PRD voted to cut short the term of the present Executive Council, due to end in 2013, and renew the body in March 2010. The decision represented a bargain between the present leadership of Martin Torrijos, and those leading a bitter revolt against his leadership, led by Vice Presidential candidate Juan Carlos Navarro and former president Ernesto Perez Balladares. The decision gives Navarro/Perez Balladares their opportunity to take control of the party from Torrijos, but also gives Torrijos time for the political situation to calm down so he can rally his still considerable power within the party. PRD Vice President Elias Castillo told PolOff July 3 that the situation of the PRD is critical, and the next eight months will be key in deciding if the party survives or splits. Political analyst and PRD member Renato Peireira agreed that the situation was serious, and said that while he hoped Torrijos would maintain control, he was worried that the party was in real danger of disintegrating under the pressure

of internal division.

¶10. (S//NF) The result is that the Martinelli government faces no organized political opposition at this time. The GOP Ambassador to Peru and prolific pro-PRD columnist Roberto Diaz Herrera wrote an opinion piece on July 5 comparing Martinelli to former Panamanian strong man and PRD founder Omar Torrijos due to his "caudillo" style as well as his concern for the poor and his willingness to break through the bureaucracy of government to deliver results. With many PRD members disoriented and de-motivated, Martinelli has an opportunity to redraw the political map of Panama by refocusing the populist impulses of the Panamanian people from the populist legacies of the PRD and the Panamanista Parties onto himself as a flesh and blood populist leader. The key to his success will be whether he supports those within his government who are interested in public service and bringing real positive change to Panama, or if he gets lost in the less noble instincts he and other members of his government share.

It's the Institutions, Stupid

¶11. (S//NF) Martinelli's personalist leadership style seems almost certain to spell trouble for Panama's democratic institutions, which are already under strain from a variety of sources, including increasing criminal activity. Post has agreed to a request from the local World Bank representative to join forces to encourage adoption of a variety of transparency measures and other best practices aimed directly at shoring up institutions. Our approach is to work with the powerful Minister of Economy and Finance (MEF), who is required by a provision in the recent law raising the debt ceiling to produce a five-year strategic plan. At dinner June 8, Minister Vallarino, who is not particularly favorably disposed to Americans, told the Ambassador he welcomed close collaboration in part because he fears institutions could indeed suffer and take Panama down the path of other faltering Central American nations. He outlined his goal to leave Panama on track to become the Singapore of the western hemisphere, with strong democratic institutions. Our intent is to align the World Bank's country partnership strategy (which covers \$150 million in lending) and our own modest Merida strategic plan (which we are due to develop with the Ministry of Economy and Finance before December) with the five-year MEF plan to create a set of tools for the government, and for the media and civil society to use to provide oversight of the government. Post will be taking a close look at judicial corruption and independence, ways to strengthen the media and police, and ways to ensure accountable and transparent budget and expenditure systems. We hope to use our clout in Panama (our 83% approval rating stems in part from admiration for a "gringo" way of doing business that highlights transparency and accountability) to help the Martinelli government deliver the positive change Panamanians voted for.
STEPHENSON